



77-6232/1

COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W., Washington, D.C. 20581

January 24, 1977

Honorable Henry Knoche
Acting Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Director:

As you know, the Commodity Futures Trading Commission is a small agency assigned a large task -- regulating the United States futures markets against manipulation and other inordinate influences of U. S. futures markets and their prices.

In that respect, foreign traders have long been users of the domestic futures markets, both in grains and metals, and so-called "international" soft commodities (coffee, sugar, and cocoa) as well. The metals and international soft commodities are also traded actively in London.

Recently, the Commission's attention has turned to questions regarding the activities of foreign governments utilizing U. S. futures markets. As a result of some concerns raised here with respect to such use and their potential, the Commission has asked me to work up some thoughts on the elements of a proposed policy designed to adequately police foreign state trading. At this time it appears there is a possibility that these recommendations may not only go to the desirability of such trading, but also to such matters as the enforcement capabilities of government. Other areas that may have impact on our thoughts are our current hedging definition, conflicts, if any, with foreign state law, interrelationships, if any, with foreign policy, and related factors.

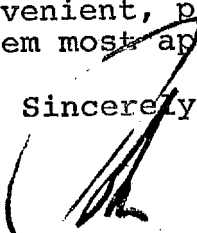
Although from both a political and economic standpoint, to address this matter may be sensitive, the challenge facing the Commission is to avoid appearing to sanction, in the eyes of the public, domestic futures markets buffeted by foreign state traders, perhaps with questionable motives.

Honorable Henry Knoche
January 24, 1977
Page 2

I am now working with a small staff group to develop a paper for the Commission and I anticipate the first attempts of a decisional document for the staff group will be forthcoming within the next few weeks.

My study of the scope of the problem leads me to believe that you may have an interest you would like to see reflected in our efforts. Accordingly, I am writing to seek the thoughts of your Agency on this issue and further, to solicit a liaison between us to better provide for continuing consultation and help as we ask basic questions with respect to our study. If this is convenient, please contact me directly by whatever means seem most appropriate.

Sincerely,


John V. Rainbolt, II
Vice Chairman

P.S. This is a duplicate of a letter which was sent to Honorable Theodore C. Sorensen on January 13 addressed to the Carter-Mondale Transition Planning Group.



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77-6232

COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W., Washington, D.C. 20581

January 13, 1977

Honorable Theodore C. Sorensen
Director-Designate of the
Central Intelligence Agency
Carter-Mondale Transition Planning Group
P. O. Box 2600
Washington, D. C. 20013

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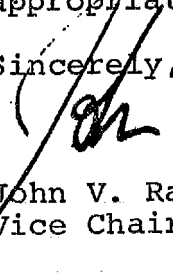
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16 Jan 77
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Honorable Theodore C. Sorensen
January 13, 1977
Page 2

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Sincerely,


John V. Rainbolt, II
Vice Chairman.

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19	DCI/SS				
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As develop ADCI response

Executive Secretary

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Date

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~~EXECUTIVE SECRETARIAT~~

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Remarks:

Please develop ADCI response.

[Signature]

D/Executive Secretary

29 Jan 77

Date

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